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Kanni 1118, the net receipts of the Department will be Rs 3·79 lakhs more than the budget in spite of the high operating cost. There is also a special item of receipt of Rs 9·97 lakhs due to the profits realised on the sale of certain investments shown under the head 'Miscellaneous.'

EXPENDITURE CHARGED TO REVENUE.

7. The rise in expenditure is made up of small increases under several heads and the important increases which may be mentioned are Rs 3·07 lakhs under Miscellaneous due to the dearness allowance paid to low-paid Government servants at higher rates and with extended scope, Rs 1·53 lakhs under Education on account of certain special grants paid to the Travancore and Annamalai Universities and Rs 1·40 lakhs under Army due to the purchase of additional equipment.

8. We have contributed this year for war purposes a sum of B. Rs 5 lakhs. Thus a very large contribution in money has been made for war purposes besides our contribution to the armed forces and in the matter of supplies etc.

CAPITAL EXPENDITURE.

9. The total capital expenditure this year is expected to be Rs 36.45 lakhs against the budget of Rs 30·29 lakhs for reasons mentioned below.

10. An additional expenditure of Rs. 3.62 lakhs is expected under Electric Schemes due to permits having been obtained for the import of certain machinery required for the expansion of our load in Pallivasal. As an initial step in the development of our coastal transport, we have purchased this year four sailing vessels and this accounts for the fresh outlay of Rs 3·60 lakhs under Coastal Transport.

**Budget Estimates for 1119.**

11. I now come to the Budget Estimates for the next year. In view of the present uncertain and abnormal conditions, the most reasonable course in framing the next year's estimates is to assume that the general position next year will be the same as in the current year. As there is no basis to anticipate otherwise, the Budget is framed on the above assumption with a slight element of caution on account of war conditions; but it takes into account the incidental variations in the working of the Governinent Departments and also the exceptionally high prices ruling at present.

REVENUE.

12. The revenue for the next year from existing sources is estimated at Rs 364·94 lakhs against the revised estimate of Rs 375·41 lakhs for this year. The estimates under the principal heads of revenue have been fixed slightly lower than the revised estimate by Rs 10·55 lakhs

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due to the receipts during this year being exceptionally high under Customs, Excise, Stamps and Registration. Under Forest, however, we expect an increase of Rs 1 lakh due to the demand for plywood and plastics. Other important variations occur under Interest (+Rs 2·24 lakhs), Currency and Mint (+Rs 2·98 lakhs), Miscellaneous Departments (—Rs 2·11 lakhs), Buildings, Communications &c., (+Rs 8·09 lakhs), Electrical Schemes (+Rs 1·85 lakhs), State Transport (—Rs 2·65 lakhs) and Sale Proceeds of lands (—Rs 1·50 lakhs).

13. The first instalment of repayment of the loans to Cochin Harbour for the IV Stage Works falls due next year and this accounts for the larger receipts under Interest.

14. Under Currency and Mint the increase is due to the profits from Coinage of a large quantity of small silver coins ordered from the Bombay Mint. When dealing with this head it may not be out of place to say something about the Small Coin position. The amount of small coins in stock in the Treasuries at the end of 1116 was Rs 6·3 lakhs in silver and Rs 4·21 lakhs in copper coins. During the year 1117, silver coins to the extent of Rs 11·87 lakhs were minted. The coins in stock together with the fresh supply received in 1117 would in normal conditions have lasted for about five years. But the coins practically vanished early in 1118 and the small coin position became acute. By special efforts Government were able to get an immediate supply of Rs 2·5 lakhs in silver coins and an assured later supply of Rs 7 lakhs of silver coins and Rs 2 lakhs worth of copper blanks. It was also attempted then for the first time to manufacture the blanks locally and a small quantity of copper coins for Rs 6,000 was so manufactured and minted to tide over a difficult situation. A good stock of silver coins and copper blanks has recently arrived and it is hoped that the small coin position will be eased. It is, however, necessary to utter a note of warning. Even taking into account the greater need for small coins on account of the present economic position, considering the large quantities of coins freshly minted in 1117, the shortage has to be attributed more to the anti-social elements who hoard the coins merely for hoardings' sake or for profiteering by exploiting the difficult situation. With a vast amount of money circulating in the country, hoarding of large quantities of coins will not be impossible and if this habit goes unchecked, any amount of coins supplied by Government will not go to meet the demands of those who really need them. Government will not therefore hesitate to take deterrent action against these hoarders and profiteers, but Government by themselves will not be able to check effectively the anti-social habits. They therefore rely upon the co-operation and goodwill of the public especially of the Honourable members, to assist Government in their efforts to eradicate this evil. A large-scale minting of these token coins whose metallic value is small is not also desirable as it will produce a disturbing effect on the revenue position in times of depression when there would be a large return of the coins from circulation and the prices of the metals would have gone down.

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15. The drop of Rs 2·11 lakhs under Miscellaneous Departments is due to the profits for the first half year from the Rubber Factory having been received this year itself though normally it is due only next year. The increase of over Rs 8 lakhs under Buildings, Communications, etc., is only nominal. When dealing with the actuals for 1117, I have already referred to an adjustment of a portion of the Cochin Harbour receipts of some years to be credited to the Road Development Fund. According to the method of accounting to be adopted, this amount has first to be credited as a receipt of the Public Works Department. The transfer of this credit to the Fund has to be made with the vote of the Legislature. An equal amount has therefore been provided in the Expenditure side under "36. Buildings, Communications etc." and included in the Demand for the Public Works Department. The increase, occurring under revenue is thus set off by an equal amount of expenditure and will not affect the budgetary position.

16. The improvement in the receipts under Electrical Schemes is due to an expected increase in consumption and is partially set off by an extra provision under working expenses for depreciation. Owing to the phenomenal increase in the prices of spare parts and on account of the vehicles not being able to be run on charcoal gas due to their having become old and having to carry larger traffic, the operating cost next year under State Transport is expected to be very high. This accounts for the decrease under State Transport. Owing to the policy of assignment of puduval lands having been stopped, the receipts from the sale of lands are expected to go down next year.

## New Proposals.

17. Due to war-time prices and profits, the volume of currency in circulation has enormously increased throughout India, including Indian States. The spending power thus has been greatly enhanced with the availability of consumable goods being, however, limited Steps have been taken in British India to check the consequential high level of prices by introducing measures to relieve the pressure of the greater volume of purchasing power on the limited supplies of consumable goods. These have taken the forms of stepping up of the Incometax and Supertax and the levy of Excess Profits and other taxes. Unless we come into line with the other parts of India by introducing similar measures to check, if not to eliminate, the process of inflation, there is bound to be a serious repercussion on our economic conditions. It is therefore proposed with effect from 1119 to levy a surcharge of 50 per cent. on the rates of incometax and supertax now in force in the State. In the case of companies, however, the supertax rate will be increased from one chuckram and twelve cash to two chuckrams and ten cash instead of levying a surcharge. The prices of agricultural produce have risen to phenomenally high levels due to war conditions and it is anomalous that the land tax should remain at the pre-war level reckoned in terms of money. Opinion all over the world has now crystallised itself in favour of assimilating the

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